

## **QUICK GUIDE TO UNDERSTANDING REDEVELOPMENT**

### **1. What is redevelopment?**

Redevelopment is a process specifically authorized under California law to assist local governments in revitalizing their communities. Redevelopment encourages new development, creates jobs and generates tax revenues in declining urbanized areas by developing partnerships between local governments and private entities.

### **2. What is a Redevelopment Agency?**

A Redevelopment Agency is a separate public body that reports to the local governing board of a community. In most cities, including Lake Forest, the City Council Members are also the governing board for the Redevelopment Agency. However, the Council and the Agency are two separate, distinct legal entities. The Redevelopment Agency assigns its own staff to carry out its day-to-day operations as well as to help formulate and implement redevelopment plans.

### **3. What is a Redevelopment Plan?**

A redevelopment plan provides a legal framework for planning and implementing revitalization activities in a redevelopment project area. It also can establish a financing method to fund these initiatives, called tax increment financing. Over 400 California cities and counties have adopted local redevelopment plans.

### **4. What is a Project Area?**

A Project Area is the area within which actual redevelopment will take place.

### **5. How does redevelopment benefit communities?**

Redevelopment is one of the most effective ways to breathe new life into deteriorated areas plagued by social, physical, environmental or economic conditions which act as a barrier to new investment by private enterprise. Redevelopment is a powerful tool that empowers communities through:

- Creation of new job and housing opportunities;
- Economic development and crime reduction;
- Development or improvement of public facilities like libraries, theaters, parks, youth centers, bike paths, and greenbelts;
- Landscaping of neighborhood streets with trees or shrubs;
- Improved street lights, storm drains and water systems;
- Reduced through traffic on residential streets;
- New cultural, shopping, and recreational opportunities;
- Restoration of community pride; and

- Ultimately increasing overall city revenues to provide greater public safety and services.

## **6. How will my neighborhood be affected by redevelopment?**

Redevelopment is a means of improving neighborhoods. The following examples are a partial list of improvements that could be made in your neighborhood:

- Street landscaped with trees, shrubs, and flowers;
- Sidewalks, drainage facilities, gutters and curbs installed;
- Alleys, paved, improved and repaired;
- Through traffic on residential streets reduced;
- Street lighting improved;
- Loans and grants for rehabilitation of homes made available;
- Neighborhood parks, community centers, greenbelts and bike paths constructed; and
- Buffers created between conflicting land uses.

## **7. How long do I have to wait to see improvements from redevelopment?**

Redevelopment will not occur overnight. It requires careful planning and proper phasing of development, which are considered critical to a successful plan. It is essential to make the right choices so that the objectives of the Redevelopment Plan and the community goals can be achieved.

The implementation of the redevelopment program is an essential element of the Redevelopment Agency's annual budget process. Therefore, only redevelopment projects that are approved as part of the annual budget will be undertaken during the budget year.

## **8. How do Redevelopment Agencies secure funds?**

The State Law makes available to Redevelopment Agencies a method of obtaining funds called "tax increment financing." On the date the City Council approves a redevelopment plan, the property within the boundaries of the plan has a certain total property tax value. If this total assessed valuation increases, most of the taxes that are derived from the increase go to the Redevelopment Agency. These funds are called "tax increments." Tax increments can be used only in the same project which generates them, except for residential projects which benefit low and moderate income households.

Usually, the flow of tax increment revenues to the Agency will not be sufficient in itself to finance the full scope of redevelopment activities and development projects. Therefore, redevelopment is financed in other ways including loans, grants, and the issuance of tax allocation bonds.

**9. What is tax increment?**

When a Redevelopment Agency implements a Redevelopment Plan, the improvements result in an increase in property values within the project area. However, individual property owners will not pay increased taxes unless there is a change in ownership, rehabilitation, or new construction to their property. Increase in value due to change in ownership or new construction increases the tax revenues generated by the property. This increase in tax revenue is known as “tax increment.”

**10. Will the Redevelopment Agency increase my taxes to pay for this project?**

No. The Redevelopment Agency has no power to set tax rates or levy property taxes. Property tax on properties within a redevelopment project area are governed by the same laws as properties outside redevelopment project areas.

**11. Will being in a redevelopment project area increase my property taxes?**

Simply being in a redevelopment area will not increase your property taxes. Property taxes can only be changed as a result of a reassessment value by the County. Reassessment typically occurs upon the sale of a home or upon significant improvements made by the owner.

It is important to note that higher taxes from the sale, development or rehabilitation of property reflect a rise in property value and “not” an increase in tax rate. Until a property is improved or sold, assessed values and tax rates in redevelopment areas are restricted by Proposition 13 limitations.